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SUBJECT: AMBASSADOR CELEBRATES PHILIPPINE SUCCESS IN RURAL BANKING  
AND MICROFINANCE

¶1. Summary. The Ambassador helped celebrate the one millionth loan granted by banks participating in the USAID-funded Microenterprise Access to Banking Services (MABS) Program. Since its launch in 1997, the Program has worked with 330 bank branches to disburse more than \$250 million to over 375,000 borrowers. Unusual among donor-supported microfinance programs, this successful government-private sector partnership demonstrated that microfinance can be profitable for banks and that savings generation is possible in impoverished communities. Central Bank Director Amando Tetangco and Director-General Cerge Remonde joined the Ambassador in celebrating MABS as a successful partnership between two governments that furthers the common goal of fostering a prosperous Philippines with a positive view of America. End Summary.

¶2. In addition to the Ambassador, the Governor of the Central Bank of the Philippines, the Director-General of the Presidential Management Staff, the Chairman of the Mindanao Economic Development Council, the President of the Rural Bankers Association of the Philippines, the Mission Director of USAID/Philippines, and several hundred bankers also participated. The keynote speaker, Presidential Management Staff Director-General Serge Remonde, and Central Bank Governor Amando Tetangco thanked the American people for investing in the Philippine people, calling microfinance a flagship program of the President's administration. They both declared that MABS has shown that commercial microcredit can be profitable and that microfinance can be an extraordinarily useful tool in the effort to end poverty.

¶3. Begun in the Mindanao region and now a national effort, MABS is a USAID-funded project implemented in partnership with the Rural Bankers' Association of the Philippines under the oversight of the Mindanao Economic Development Council. This is a true grass roots project with USAID providing no loan funds or guarantees to MABS -- All loan funds came from the banks themselves. The Program helped rural banks mobilize deposits from the microenterprise sector. Microdeposit accounts managed by participating rural banks increased substantially, now totaling over one million accounts with an overall value exceeding \$14 million.

¶4. The Program provides training and technical support to banks to help them develop the capability to profitably offer microfinance services. Using these tools, the Program has disproved the common belief that providing financial services to low income borrowers is not a viable business proposition. Virtually all the banks participating in the Program have found microfinance to be profitable, and many have made microfinance a major part of their overall portfolio.

¶5. The MABS Program is also significant for its contributions to the development of new microfinance products not previously available in the Philippines - including micro deposit accounts and micro insurance. The Program introduced the "micro agricultural loan" for small farming households. It has also developed new delivery vehicles including the use of cell phones as "virtual wallets" and the use of personal digital assistants for loan

collection activities. Through these mechanisms, the Program is helping banks and borrowers reduce transaction costs.

¶6. Ninety percent of businesses in the Philippines are small or micro enterprises. Forty percent of all households in the Philippines depend on microenterprises as their primary source of income. Such was the situation of Mrs. Josefina Albiza, the first-ever borrower from the first bank participating in the MABS Program. Mrs. Albiza, who was recognized at the event, used her initial loan of PhP5000 (about \$110) to expand and diversify her small grocery business. She is now a local soft drink wholesaler. With the earnings she garnered, she improved her house and sent her daughter to college. Similarly, Mrs. Erlina Quinones, the one millionth borrower, who was also recognized at the event, is using her PhP15,000 (about \$330) to expand her small shop. Previously, no formal banking services were available to entrepreneurs like Mrs. Albiza and Mrs. Quinones and their only option for expanding their businesses was to borrow from moneylenders at interest rates that usually precluded growing their businesses.

KENNEY